



ACQUISITION AND
TECHNOLOGY

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE

3015 DEFENSE PENTAGON
WASHINGTON DC 20301-3015



MAR 5 1999

MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: DoD Packaging Pilot Program

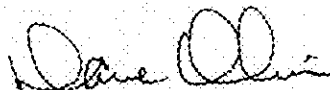
As part of our continuing effort to eliminate burdens imposed on industry to maintain multiple processes, I have approved a three-year commercial packaging pilot program as a result of discussions held at the December 1998 Single Process Initiative Executive Council. This pilot program will provide DoD an opportunity to apply commercial packaging techniques, materials, technologies and quality standards for packaging of deliverables. I chartered a joint Government-Industry Integrated Product Team (IPT) in late 1998 to develop the details of this pilot program.

The pilot contractors, General Electric and AlliedSignal, will implement this program at multiple sites, across all Department programs and contracts including those where they are delivering items to the Government under sub-contracts to other defense suppliers. To ensure the most favorable outcome, we must consistently apply the pilot program provisions across the Department. Therefore, I request you notify all procurement authorities within your agency that their cooperation and strict adherence to the program are essential. I have attached the Single Process Initiative (SPI) block change contract modification language that will enable both General Electric and AlliedSignal to utilize commercial packaging during the pilot period for all existing contracts.

Accordingly, please ensure that the appropriate contract administration offices execute the block change modification. During the life of the pilot program, you are to ensure that procuring contracting officers use this same language in all new contracts awarded to the two pilot contractors. Further, you should facilitate its use in subcontracts awarded under the pilot contractors' prime contracts to ensure a full and thorough test of the use of commercial packaging practices across all contracts, subcontracts and environments. Please provide me with a copy of your direction to your buying activities implementing these requirements.

The first review of the pilot program will be in 12 to 18 months. At that time, preliminary performance data will be thoroughly analyzed to evaluate the benefits of the pilot program and make any necessary mid-course corrections. In the intervening period, your full support is essential to the success of the pilot. This pilot program will remain in effect until the contractor(s) and I mutually agree to make its provisions permanent or otherwise terminate the

pilot program. My point of contact for this initiative in the Office of the Deputy Under Secretary of Defense (Acquisition Reform) is Mr. Shawn Hawkins, (703) 697-6398.



Dave Oliver

Attachment:
As stated

cc:
DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
DIRECTOR, DEFENSE PROCUREMENT
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

"Packaging Pilot Program. GE and AlliedSignal are participants in a Pilot Program designated by the Principal Deputy Under Secretary of Defense (Acquisition & Technology) related to the use of commercial packaging methods. The following contract language is included in this contract to implement this Pilot Program:

1. If this contract or any order issued under this contract specifies that items to be delivered shall be packaged in accordance with a version of Mil-Std-2073 or any standard other than the contractor's commercial packaging practices, those packaging requirements shall be deemed to be for information only and not contractually binding except where specified in accordance with paragraph 2. The contractor shall, instead, package such items in accordance with its standard commercial packaging methods adequate to prevent deterioration and physical damage of the item(s). The contractor's standard commercial packaging methods shall be the methods described in its Quality System manual or other written media which are based on the elements of ISO 9000.
2. If specified by the Government in this contract or any order issued under the contract, the contractor shall utilize reusable shipping containers provided the shipping container has been assigned a national stock number (NSN) and has been provided by the Government as Government Furnished Property (GFP) or procured by the Government under this contract.
3. Where F.O.B. Origin is specified, the Government shall notify its carrier in accordance with its standard procedures upon discovery of any damage resulting from transportation of the items. Where F.O.B. Destination is specified, the Government shall notify the contractor in accordance with its standard procedures upon discovery of any damage resulting from transportation of the items.
4. The Government shall notify the contractor of any concealed damage to the item(s) resulting from the failure of the contractor's packaging methods within 150 days of the discovery of the concealed damage or within 42 months of the date the contractor packed the items, whichever occurs first. The contractor shall repair or replace, at its option, any item the parties agree has been damaged as a result of the failure of the contractor's packaging methods, provided the Government has exercised reasonable care in its transportation, handling and storage of the item(s) in the military distribution system.
5. Any exception to the requirements of this clause shall be mutually agreed to by the parties."